

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 98-006-G - ORDER NO. 98-879
NOVEMBER 6, 1998

IN RE: Annual Review of Purchased Gas Adjustment) ORDER INSTITUTING *✓/R*
(PGA) and Gas Purchasing Policies of South) INVESTIGATION
Carolina Electric & Gas Company.)

This matter comes before the Public Service Commission of South Carolina (the Commission) pursuant to our examination of the gas purchasing practices and industrial sales program rider of South Carolina Electric & Gas Company (SCE&G or the Company). In Order No. 98-835, we determined the cost of gas and an environmental clean-up cost factor, but we held all other matters in abeyance. We now discuss the Company's gas purchasing practices and industrial sales program rider.

The testimony of Company witness Asbury Gibbes and Staff witness Brent Sires related to these matters. Gibbes, Group Executive, SCANA Corporation Gas Group, and President of South Carolina Pipeline Corporation (SCPC) described SCE&G's purchasing practices. SCE&G has a contract with South Carolina Pipeline Corporation to provide all of SCE&G's natural gas requirements with a maximum contract demand of 224,270 dekatherms (DTS) per day. Natural gas is purchased from SCPC under tariffs DS-1, DISS-1 and the Industrial Sales Program Rider (ISP-R), all of which have been approved by this Commission. SCE&G receives an invoice from SCPC each month as do its other sale-for-resale customers. SCE&G receives its gas from SCPC through 166

delivery points where the gas is metered and billed on a monthly basis. SCE&G does not own or operate a pipeline system connecting these various delivery points.

Gibbes went on to state various reasons why SCE&G relies on SCPC as a merchant of gas. SCPC has staff in place to purchase gas. SCPC aggregates demand for approximately fifteen (15) sale-for-resale distribution companies. Further, according to Gibbes, as an aggregator of demand, SCPC has superior ability to deal with marketing and supply.

The Intervenor Consumer Advocate for the State of South Carolina (the Consumer Advocate) proffered Hearing Exhibit 2 during witness cross-examination, which shows the average city gate price of gas by State for the period 1996-1998. SCE&G objected to the exhibit's admission, on the grounds, *inter alia*, that the Consumer Advocate provided no back-up to show the derivation of the figures shown in the exhibit. We overrule the objection, and admit the exhibit into evidence. We will admit the document for what it is worth.

However, we must state that the exhibit is compelling when compared to SCE&G's projected gas cost. The exhibit shows that the average city gate price between 1996 and 1998 per thousand cubic feet for South Carolina is \$3.81. On the other hand SCE&G's projected gas cost for the roughly the same amount of gas comes to \$4.88. This seeming disparity is of great concern to this Commission, and raises questions as to the prudence of SCE&G's gas purchases from South Carolina Pipeline Corporation. The Consumer Advocate notes that it is difficult to tell whether SCE&G's purchases are

prudent, since SCE&G has never had the opportunity to avail itself of the market when purchasing natural gas. We agree.

Accordingly, we hold that the Commission Staff shall conduct an investigation as to the feasibility and economic reasonableness of SCE&G purchasing its gas supplies, or a portion thereof, from suppliers other than South Carolina Pipeline Corporation. The investigation must also include the feasibility of South Carolina Pipeline Corporation having a firm transportation tariff, which they do not now possess. Such a tariff would be necessary for transporting gas from another source to SCE&G through SCPC's facilities.

The Staff's investigation shall also include a study of treating SCE&G's industrial gas sales revenues in a manner similar to this Commission's treatment of United Cities Gas Company for ratemaking purposes. Further, the investigation shall include the feasibility and reasonableness of treating SCE&G's and SCPC's gas operations in a combined manner for ratemaking purposes, since both are gas affiliates of one holding company, SCANA.

We would urge the cooperation of both SCE&G and SCPC in aiding the Staff in carrying out its duties during this investigation.

The results of Staff's investigation shall be reported to this Commission within thirty (30) days of the date of this Order.

Company witness Gibbes and Staff witness Sires both testified as to the advisability and reasonability of the continuation of the SCE&G's ISP-R program. Pending the results of the investigation, and further Orders of this Commission, the current ISP-R program shall be continued.

Further, the current gas cost and environmental cleanup cost as detailed in Order No. 98-835 shall remain unchanged until further order of this Commission. Any remaining issues in SCE&G's annual review of purchased gas adjustments and gas purchasing policies shall also be held in abeyance until further Order of the Commission.

This Order shall remain in full force and effect until further Order of the Commission.

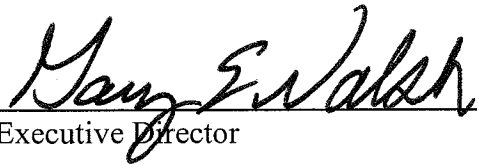
BY ORDER OF THE COMMISSION:



Chairman

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ATTEST:



Executive Director

(SEAL)